

ARROWHEAD REGIONAL MEDICAL CENTER

Patrick A. Petre

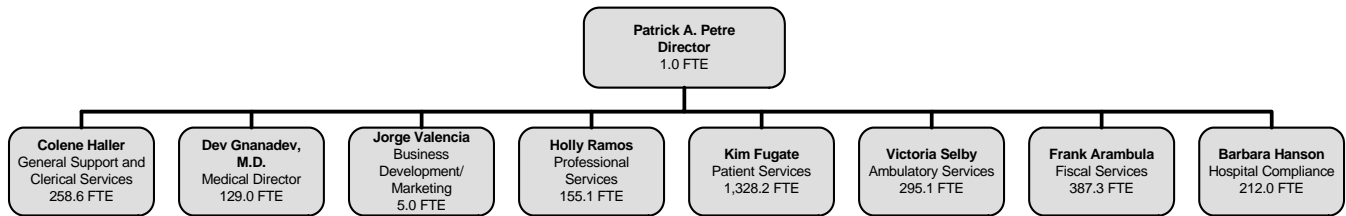
MISSION STATEMENT

The San Bernardino County "Arrowhead Regional Medical Center" is a safety net hospital with the primary mission of providing quality healthcare, a basic necessity of humankind, to the residents of San Bernardino County. We continuously strive to improve the health of the communities we serve and become the provider of choice for healthcare delivery and education.

STRATEGIC GOALS

1. Ensure the health and safety of County residents by increasing access to healthcare services through Outpatient and Emergency Room Visits.
2. Improve access to higher-level healthcare services for County residents through increased admissions in Acute Care.
3. Secure hospital financial health through efficient reimbursement policies and optimizing available revenue streams.
4. Reduce cost inefficiencies through containment opportunities and strategies to ensure effective hospital operations.
5. Enhance services and operations through continued improvement of Information Technology Infrastructure.
6. Continue improving customer satisfaction.

ORGANIZATIONAL CHART



SUMMARY OF BUDGET UNITS

	2008-09				
	Operating Exp/ Appropriation	Revenue	Fund Balance	Revenue Over/ (Under) Exp	Staffing
Enterprise Funds					
Arrowhead Regional Medical Center	371,327,218	368,673,065		(2,654,153)	2,771.3
Total Enterprise Funds	371,327,218	368,673,065		(2,654,153)	2,771.3
Special Revenue Funds					
Archstone Foundation Grant	5,534	1,000	4,534		-
Tobacco Tax Funds	2,507,991	2,202,553	305,438		-
Total Special Revenue Funds	2,513,525	2,203,553	309,972	-	-
Total - All Funds	373,840,743	370,876,618	309,972	(2,654,153)	2,771.3

Detailed information for each budget unit follows, along with a description of the services provided, budget unit history and applicable performance measures.



DESCRIPTION OF MAJOR SERVICES

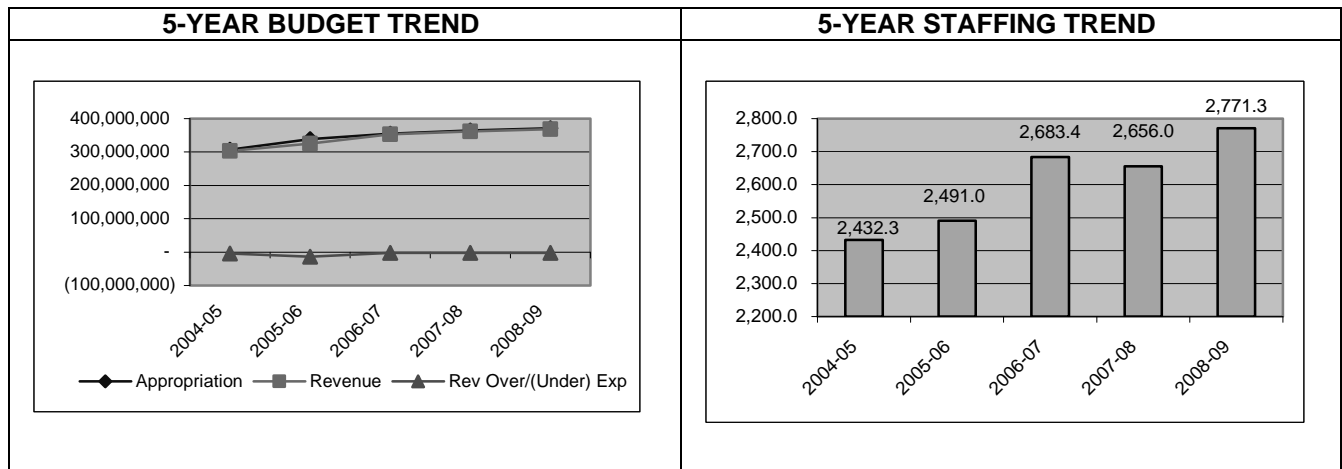
Arrowhead Regional Medical Center (ARMC) is a state-of-the-art acute care facility embracing advanced technology in all patient and support areas. ARMC offers the latest in patient care by providing a full range of inpatient and outpatient services, three off campus community health centers, Department of Behavioral Health's inpatient activities and numerous specialty services. Freeway access, shuttle service and close proximity to an Omni-trans bus hub make ARMC convenient to county residents.

ARMC and Behavioral Health facilities are comprised of 373 (90 in Behavioral Health and 283 in ARMC) inpatient rooms, most of which are private. The Emergency Department is a Level II Trauma Center and consists of 15 observation rooms, 8 treatment rooms, 3 law enforcement holding rooms, 8 trauma rooms and a 9 bay Rapid Medical Emergent Treatment area to expedite treatment and improve throughput. The helicopter landing area can accommodate both standard Medi-vac helicopters and military helicopters. The outpatient care center consists of 109 examination rooms and 8 procedure rooms.

Inpatient Care: Inpatient services provide curative, preventative, restorative and supportive care for general and specialty units within the General Acute Care Hospital, Behavioral Health Hospital and Home Health. Care is coordinated among multiple care providers responsible for patient care twenty-four hours a day. Nursing functions as a primary interface with patients, families and others and is often the interpreter for the hospital experience and treatment plan. Education is a primary focus and ARMC offers numerous Residency Programs for the training of physicians in Family Practice, Emergency Medicine, Surgery, Neurosurgery, Women's Health, and Internal Medicine.

Outpatient Services: Outpatient Care is an integral part of our multifaceted healthcare delivery system offering a wide range of emergency, primary, preventive, chronic, follow-up and specialty care in an ambulatory care setting. Visits have exceeded 250,000 annually exclusive of the Emergency Room volume.

BUDGET HISTORY



PERFORMANCE HISTORY

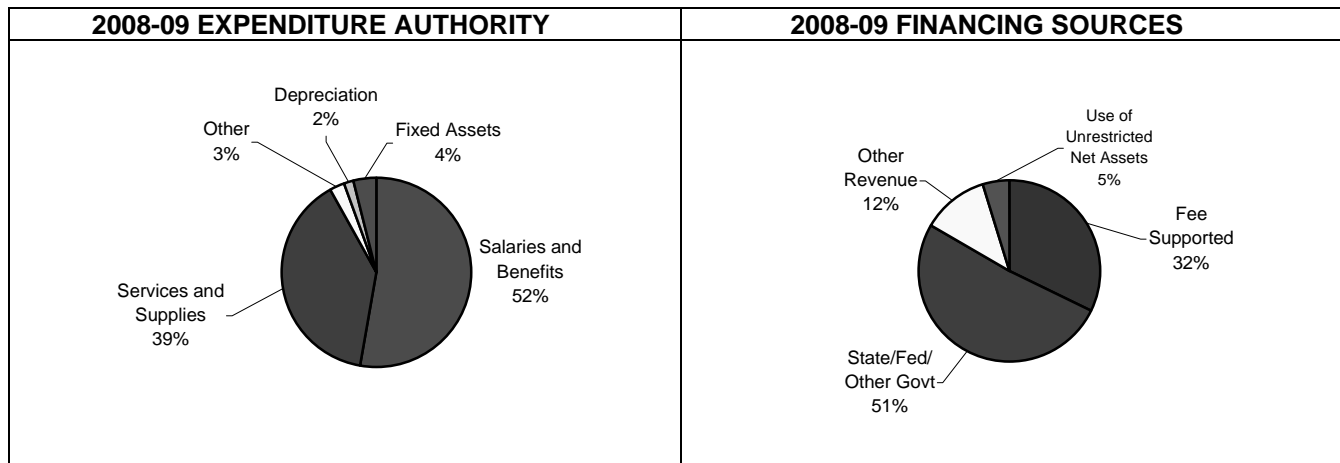
	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Modified Budget	2007-08 Actual
Appropriation	307,053,858	338,756,350	360,589,659	364,151,503	374,386,386
Departmental Revenue	303,214,159	325,302,143	352,805,258	361,628,449	374,171,464
Revenue Over/(Under) Exp	(3,839,699)	(13,454,207)	(7,784,401)	(2,523,054)	(214,922)
Budgeted Staffing				2,656.0	
Fixed Assets	1,314,030	1,539,482	2,468,254	10,892,792	10,074,344
Unrestricted Net Assets Available at Year End	-	-	-	-	-

Actual appropriation for 2007-08 is \$374,386,386 versus a modified budget of \$364,151,503. This is an unfavorable variance of \$10,234,883. The variance is primarily due to increased payments for contract physicians and increased professional services and services and supplies operational costs.

Actual departmental revenue for 2007-08 reflects an increase of \$12,543,015 over modified budget primarily due to improvements in the revenue cycle processes resulting in maximized collections from all payor types and sources. The increase is also the result of favorable prior year settlements with Medicare.



ANALYSIS OF FINAL BUDGET



GROUP: Health Care
DEPARTMENT: Arrowhead Regional Medical Center
FUND: Medical Center

BUDGET UNIT: EAD MCR
FUNCTION: Health and Sanitation
ACTIVITY: Hospital Care

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2007-08 Final Budget	2008-09 Final Budget	Change From 2007-08 Final Budget
Appropriation							
Salaries and Benefits	154,101,291	175,477,648	191,107,523	197,245,389	196,727,735	204,249,747	7,522,012
Services and Supplies	130,590,559	146,463,897	151,305,402	158,945,121	149,992,752	148,991,816	(1,000,936)
Central Computer	773,607	910,103	1,075,193	1,283,275	1,283,275	1,416,972	133,697
Travel	-	-	-	-	-	505,926	505,926
Other Charges	1,092,532	1,026,124	1,023,734	938,124	849,907	790,681	(59,226)
Transfers	905,863	974,489	1,144,292	1,355,969	1,573,867	1,383,219	(190,648)
Total Exp Authority	287,463,852	324,852,261	345,656,144	359,767,878	350,427,536	357,338,361	6,910,825
Reimbursements	-	-	(5,000)	(144,325)	-	(53,000)	(53,000)
Total Appropriation	287,463,852	324,852,261	345,651,144	359,623,553	350,427,536	357,285,361	6,857,825
Depreciation	6,049,319	5,904,089	5,927,187	6,437,443	5,723,967	5,935,857	211,890
Operating Transfers Out	13,540,687	8,000,000	9,011,328	8,325,390	8,000,000	8,000,000	-
Total Requirements	307,053,858	338,756,350	360,589,659	374,386,386	364,151,503	371,221,218	7,069,715
Departmental Revenue							
Use of Money and Prop	683	126	(125)	44,597	-	-	-
State, Fed or Gov't Aid	192,662,185	181,560,624	201,726,300	217,227,157	202,980,939	197,358,613	(5,622,326)
Current Services	84,747,673	93,242,062	99,837,741	117,437,087	111,540,583	124,369,846	12,829,263
Other Revenue	6,174,868	10,814,880	4,854,160	1,081,538	4,530,828	4,461,688	(69,140)
Total Revenue	283,585,409	285,617,692	306,418,076	335,790,379	319,052,350	326,190,147	7,137,797
Operating Transfers In	19,628,750	39,684,451	46,387,182	38,381,085	42,576,099	42,482,918	(93,181)
Total Financing Sources	303,214,159	325,302,143	352,805,258	374,171,464	361,628,449	368,673,065	7,044,616
Rev Over/(Under) Exp	(3,839,699)	(13,454,207)	(7,784,401)	(214,922)	(2,523,054)	(2,548,153)	(25,099)
				Budgeted Staffing	2,656.0	2,771.3	115.3
Fixed Assets							
Equipment	961,224	1,039,732	1,126,356	8,424,066	9,227,997	13,824,915	4,596,918
L/P Equipment	352,806	499,750	1,341,898	1,650,278	1,664,795	1,430,108	(234,687)
Total Fixed Assets	1,314,030	1,539,482	2,468,254	10,074,344	10,892,792	15,255,023	4,362,231

Salaries and benefits of \$204,249,747 fund 2,771.3 budgeted positions and are increasing by \$7,522,012. Staffing increased by 115.3. This budget unit experienced an increase in budgeted staffing of 20.0 as a result of a technical change to the rounding of position numbers to one decimal place in the county's budget system. This change does not affect the number of authorized positions. The remaining 95.3 increase is primarily due to an increase of 32.0 Medical Resident/Interns, an increase of 30.7 in Psychiatric Technicians and Nurses, an increase of 21.3 in Environmental services staff, and an increase of 17.3 due to Emergency Room staffing adjustments based on departmental needs. These internal departments were previously staffed on historical activity and have not kept up with actual FTE's appropriate for current volumes and demands. These increases are further offset by 6.0 FTE reductions in other ARMC departments.



Services and supplies of \$148,991,816 reflects a decrease of \$1,000,936. ARMC has made significant strides in curbing services and supplies cost. A major reduction in current expense was a result of new material management and focus on drivers of supply cost. This coming year the department will receive the full year benefit of a change in the group purchasing organization change (GPO) and just-in-time (JIT) medical surgical distribution contract changes. This alone will save roughly \$1.5-\$2.0 million a year.

Travel is a new appropriation unit for 2008-09. The amount budgeted of \$505,926 reflects anticipated travel costs in the areas of private mileage, air travel, hotel, car rental and conference fees for this budget unit. These costs were based on departmental analysis of past travel related expenses previously budgeted in the services and supplies appropriation unit.

Other charges of \$790,681 reflects expenses related to the county medically indigent program and interest on lease agreements.

Transfers of \$1,383,219 include payments to other departments for Human Resources employee relations, the Employee Health and Productivity (EHaP) program, and lease costs. The decrease of \$190,648 reflects decreases in anticipated EHaP program costs and removal of direct payment for the Healthcare Division Information Services Chief. Payment for this position is reflected within the Health Care Administration budget unit.

Reimbursements of \$53,000 represent payments from the Sheriff's Department for specialty acute care services provided to inmates at West Valley Detention Center.

Depreciation cost is consistent with the requested fixed asset requirement of \$15,255,023. Outside of the standard capital to maintain clinical integrity (\$4.5 million), ARMC is budgeting for the full implementation of an Open Heart program (\$3.5 million). The Open MRI (\$1.6 million), Linear Accelerator (\$3.0 million) and Project ADAP for automated pharmacy dispensing (\$1.3 million) are carried over to 2008-09. Additionally, \$1.4 million is budgeted for the continued leasing of various ARMC equipment.

Operating transfers out of \$8,000,000 is for the Medical Center Debt Service and represents ARMC's contribution from operations. A detailed description of the Medical Center Debt Service is available in the Medical Center Lease Payments budget unit.

Total revenue in the amount \$326,190,147 includes \$197,358,613 in state and federal aid primarily from Medi-Cal and Medicare, \$124,369,846 in current services from private pay patients and insurance, and \$4,461,688 in other revenue from cafeteria sales, various grants, and services provided to other county departments and hospitals. State Aid includes \$143,652,188 in Medi-Cal Inpatient revenue (SB 1100), a decrease of \$5,288,477; \$20,175,932 in Medi-Cal Outpatient, an increase of \$2,344,298; \$1,232,985 in State Health Administration funds; and \$690,000 in other state aid. Federal aid includes \$26,554,191 of Medicare Inpatient revenue, a \$549,631 increase; and \$5,053,317 of Medicare Outpatient revenue, a \$2,366,042 decrease. Current services revenue includes \$68,614,082 of commercial insurance inpatient revenue, an increase of \$6,771,295; \$22,668,129 in health services fees, an increase of \$1,964,205; \$20,549,923 in commercial insurance outpatient revenue, an increase of \$4,416,806; \$8,301,163 from both inpatient and outpatient private pay, which reflects a decrease of \$1,052,084; and \$4,236,549 in Institute Care and Services revenue, an increase of \$729,041. The increase in commercial insurance revenue is primarily due to an anticipated 4% insurance rate increase. The overall increase to total revenue is \$7,137,797. This overall increase is the result of the significant time ARMC finance administration has spent improving the revenue cycle systems. These process improvements will benefit ARMC in the receipt of all payors accounts receivable.

Operating transfers in of \$42,482,918 reflects the base-line realignment contribution to the operations of the hospital (\$34,820,000), \$2,550,000 for the Medically Indigent program, \$2,292,000 in one-time funding for the purchase of a linear accelerator, \$1,552,000 in one-time funding for the purchase of an open MRI and \$1,268,918 for the Board approved Project Adapt for Pharmacy.

Currently, ARMC is anticipating an operating shortfall of \$2,548,153. The ARMC administration is developing plans to minimize shortfalls through improvements in revenue cycle systems and focused oversight of the operating expenses.

Fixed assets of \$15,255,023 include \$13,824,915 for equipment and \$1,430,108 for lease purchase equipment. Equipment includes \$3,003,997 for the purchase of a linear accelerator, \$1,552,000 for the purchase of an open MRI, \$4,500,000 to replace aging equipment, \$3,500,000 for the new Open Heart program and \$1,268,918 for Project Adapt Pharmacy.

PERFORMANCE MEASURES				
Description of Performance Measure	2006-07 Actual	2007-08 Projected	2007-08 Actual	2008-09 Projected
Percentage decrease in ER patients leaving without being seen (10,950 patients in 2005-06, 4837 in 2006-07).	41%	25%	58%	10%
Tattoos removed at clinic (Clinic opened May 23, 2007, 81 removals performed for 2006-07).	81	500	552	1500
Percentage change in outpatient visits (number of visits).	-8%	4%	8%	2%
Percentage increase in number of deliveries (3780 in 2005-06, 3975 in 2006-07).	5%	3%	8%	5%
Percentage increase of Medi-cal Eligibility patients identified from screening for conversion from self-pay (number of patient).	6%	6%	23%	2%
Percentage change in third party nurse staffing assistance (3.4 million spent in 2005-06, 1.6 million in 2006-07).	-53%	-14%	6%	-13%
Percentage change in pharmaceutical cost.	5%	3%	2%	7%
Achieve and maintain a mean average score/ likelihood of recommending of 85%.	84%	83%	82%	85%

